

## **Policy No. 5**

### **AUDIT REPORTING AND RECORDS RETENTION**

#### Auditing

A biennial audit of all LEAs will be due in the DESE as required by Sections 165.121, 326.011, 326.021, 326.111, 326.125, and 326.151, RSMo. Audit reporting of IDEA-B transactions should be a part of the regular audit reports and must be in accordance with OMB Circular A- [128] 133.

Information submitted as required for Maintenance of Fiscal Effort will be checked for possible supplant concerns.

#### Retention of Records

Each LEA or fiscal agent receiving funds from IDEA-B shall keep intact and accessible all records supporting claims for such funds or relating to the accountability of the grantee for the expenditure of such funds:

- A. For **three** (3) [five (5)] years after the submission and acceptance of the final expenditure report for the fiscal year in which the expenditure was made or until all audit questions are resolved, whichever is later. The Web site for IDEA-B application will keep records for review for **three** [five] years; and,
- B. Records with respect to equipment and supplies must be retained for **three** (3) [five (5)] years after their final disposition.

The records involved in any claim or expenditure that has been questioned shall be further maintained until necessary adjustments have been made and such adjustments have been reviewed and approved by the Department of Elementary and Secondary Education and/or the U. S. Department of Education.

## **Policy No. 6**

### **FISCAL PROCEDURES**

#### General

IDEA-B provides financial assistance to local education agencies (LEAs) to provide for the education of students with disabilities. LEAs may:

- A. Secure entitlement funds by submitting an approvable Compliance Plan as required by IDEA-B.
- B. Secure preschool grant funds by submitting an approvable grant proposal.

LEAs may only expend IDEA-B funds in a manner consistent with federal and state laws and regulations. The Federal regulations for IDEA-B were published in the 34 Code of Federal Regulations Part 300.

LEA Supplant vs. [( Maintenance Of Fiscal Effort )]

**The topics of supplanting of state and local funded programs and maintenance of fiscal effort are similar but distinctly different concepts. The prohibition against the supplanting of state and locally funded programs with federal funds refers to replacing previously committed state/local funds with federal funds. Supplanting must be monitored at the “expenditure level”. Supplanting is addressed in 34 CFR 300-153, 184, and 230. Maintenance of fiscal effort simply implies a total or per-capita level of state and local expenditures in the current year that is equal to or greater than the preceding year. Maintenance of fiscal effort is addressed in 34 CFR 300-154, 231, 232, and 233. Any federal funds expended during a year in which noncompliance of the prohibition against supplanting or lack of maintenance of fiscal effort occurs are recoverable.**

Fiscal effort by a LEA shall be determined by the combined state and local expenditures, including salaries and employee benefits, for full-time staff and the prorated costs of part-time staff that provide special educational services to students with disabilities in the school district.

- A. The total amount or average per capita amount of state and local school funds budgeted by the LEA for expenditures in the current fiscal year for the education of students with disabilities must be at least equal to the total amount or average per capita amount of state and local school funds actually expended for the education of students with disabilities in the most recent preceding fiscal year for which the information is available. Allowance may be made for:
- 1) the voluntary departure, by retirement or otherwise, or departure by just cause, of special education or related services personnel, who are replaced by qualified, lower-salaried staff.
  - 2) a decrease in the enrollment of children with disabilities.
  - 3) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the SEA, because the child has left the jurisdiction of the agency, has reached the age at which the obligation of the agency to provide FAPE to the child has terminated, or no longer needs the program of special education.
  - 4) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

Beginning during the State 1999-2000 fiscal year, a district may use twenty (20) percent of the new money each year to be counted as local effort as defined under 34 CFR 300.233.

Districts submitting application for IDEA, Part B funds must provide assurance that funds provided under Part B of the Act shall be used to supplement and, to the extent practicable, increase the level of state and local funds expended for the education of students with disabilities and, in no case, to supplant those state and local dollars except as provided in IDEA. Procedures for meeting this requirement will be in conformity with the regulations as specified at 34 CFR 300.230 and 34 CFR 300.231.

A district which budgets [an] **at least the same total or per-capita** amount of state and local funds for special education and related services in the current fiscal year **[greater than] compared to** the amount actually expended for those purposes in the immediately preceding fiscal year would be in compliance with 34 CFR 300.[184] **231**

[and 34 CFR 300.185 and] assuming that all other applicable provisions of the IDEA-B have been met, the district would be eligible to receive its grant.

[A district is eligible to receive a grant if its budget indicates a planned expenditure for the current year greater than the actual expenditures during the first preceding year. In addition, t] The district must be able to verify the actual amount expended during the first preceding year. [If the district is unable to document expenditures as high or higher than the second preceding year amount, the district will have failed to comply with the supplant requirement.] Any federal funds expended during [such] a year of noncompliance with either supplant or maintenance of fiscal effort requirements are recoverable.

In the event that the district violates the provisions of 34 CFR 300.231 [184 and 34 CFR 300.185] by failing to maintain fiscal effort, the Department of Elementary and Secondary Education will seek to recover the misspent funds. Office of Management and Budget Circular A-133 [128] requires that the state agency determine whether its subrecipients have spent the federal funds in accordance with applicable laws and regulations and further shall insure that a corrective action is taken within six (6) months after instances of noncompliance with federal laws and regulations have been discovered.

To fulfill this requirement, the state provides two (2) options to the district for resolving the violation and the subsequent recovery of the misspent funds.

Option I - The district may refund the total amount of the grant or the amount by which the district failed to maintain effort from the first preceding fiscal year, whichever is the lesser amount. Such refund of funds shall be made from state and/or local dollars available to the district.

Supporting documentation may be required by the Department to substantiate the status of the local program. The amount of expenditures for special education and related services during the year in which the violation occurred shall be considered as the base year for future determination of fiscal effort.

Option II - The district may deobligate the total amount of the grant or the amount by which the district failed to maintain effort from the prior fiscal year, whichever is the lesser amount. Such a deobligation of federal funds would include a corresponding obligation of a similar amount of state or local dollars for the first preceding fiscal year. By book transfer, the state agency will apply the deobligated federal funds to the district's current IDEA-B project.

Supporting documentation may be required by the Department to substantiate the status of the local programs.

If the district chooses to deobligate the federal funds, the amount of expenditures for the first and second preceding years will be equal and will be considered as the base amount for future determination of fiscal effort.

[The following illustration example is provided to assist districts in understanding the interpretation of the supplant/maintenance of effort requirements.

#### Example A

Actual Expenditures      Actual Expenditures

|                           |                           |                     |
|---------------------------|---------------------------|---------------------|
| <u>2nd preceding year</u> | <u>1st preceding year</u> | <u>Current Year</u> |
|---------------------------|---------------------------|---------------------|

|           |           |                    |
|-----------|-----------|--------------------|
| \$100,000 | \$105,000 | Budget - \$110,000 |
|-----------|-----------|--------------------|

In this example, no violation has occurred and the district would be eligible to receive its grant for the current year.

#### Example B

|                            |                            |                     |
|----------------------------|----------------------------|---------------------|
| <u>Actual Expenditures</u> | <u>Actual Expenditures</u> |                     |
| <u>2nd preceding year</u>  | <u>1st preceding year</u>  | <u>Current Year</u> |

|           |           |                    |
|-----------|-----------|--------------------|
| \$100,000 | \$ 90,000 | Budget - \$100,000 |
|-----------|-----------|--------------------|

In this example, the district would be eligible to receive its grant for the current year but would have failed to comply with the supplant requirement for the first preceding year. A refund or deobligation would be required in the amount of \$10,000.

#### Example C

|                            |                            |                     |
|----------------------------|----------------------------|---------------------|
| <u>Actual Expenditures</u> | <u>Actual Expenditures</u> |                     |
| <u>2nd preceding year</u>  | <u>1st preceding year</u>  | <u>Current Year</u> |

|           |           |                    |
|-----------|-----------|--------------------|
| \$100,000 | \$110,000 | Budget - \$100,000 |
|-----------|-----------|--------------------|

In this example, the district has complied with the supplant requirement, but would not be eligible for a current year grant as they have failed to "budget" an amount greater than the actual expenditures in the first preceding year.]

#### Accounting and Payment Procedures

- A. Each LEA and each designated fiscal agent for a cooperative application shall maintain a system of accounting which will reveal the cash received and disbursed under the project and the amount of all paid and unpaid obligations attributable to the project. Such funds shall not be commingled with other available monies.
- B. Funds will be transmitted to LEAs or fiscal agents for cooperative applications for the operation of approved activities according to a schedule determined by the DESE. Districts will be advised of the schedule of payments.
- C. Each LEA or designated fiscal agent shall submit a final report that reflects all actual expenditures. This report shall be due no later than thirty (30) days after the ending date of approved plan.
- D. The final payment of cash due a LEA will be transmitted upon receipt and approval by the DESE of the final report. If the LEA has received more money through an approved discretionary project than was actually expended, the LEA shall refund the overpayment within thirty (30) days of the request by the DESE. Overpayment by the DESE on entitlement projects will be credited to initial payment on the ensuing year's project. Appropriate records shall be maintained to verify all expenditures of funds received under IDEA-B.

#### Withholding of Payments

Whenever the DESE, after reasonable notice and opportunity for a hearing to any LEA, finds a failure to comply with any provision of applicable state or federal law, the

DESE will notify the LEA of curtailment of funds under IDEA-B. Only after compliance has been established will funds be released.

Prior to initiating a hearing under this section, the DESE will attempt to resolve any apparent differences with the LEA.

## **Policy No. 7**

### **INDIRECT COSTS POLICY FOR IDEA-B PROJECTS**

In addition to the direct cost of providing instruction and support service to students with disabilities, an IDEA-B project may include indirect costs for administrative services not readily identifiable with a project. Administrative services which typically could be claimed through the indirect cost method includes such cost as general administration of the project, personnel services, budget and financial services, purchasing and procurement, and other services usually provided through the central office of the LEA.

The administrative costs associated with IDEA-B projects are of a type that cannot be readily identifiable. Some examples would be postage, telephone, cost of writing checks, cost of preparing and submitting purchase orders, and other similar costs.

OMB Circular A-87 and the Education Division General Administrative Regulations make it possible for school districts to recover such costs through the establishment of a restricted indirect cost rate. The restricted indirect cost rates are applicable to IDEA-B programs.

A restricted indirect cost rate is, in simplified language, the ratio of general administrative costs incurred by an LEA to all other costs, with certain exclusions. The ratio is determined using a procedure and formula developed by the DESE and approved by the federal government. Each LEA that wishes to recover indirect costs under IDEA-B must request the proper forms from the School Finance Section. Upon completion, the forms will be returned to the School Finance Section for review and approval.

The following are examples of costs that may not be claimed as direct costs to IDEA-B programs, but may be recoverable under the indirect cost method:

- A. salaries of persons who provide administrative services to IDEA-B activities on less than an exclusive basis and whose time cannot be determined and recorded in auditable manner without undue effort;
- B. the salaries of any persons, whether full or part time, who engage in activities which have as their purpose the general regulation, direction, and control of the affairs of the LEA such as bookkeeping, finance, purchasing, data processing, secretarial, clerical, or other personnel services;
- C. audit costs; and,
- D. general administrative expenses such as postage, telephone, administrative travel, and office supplies.

Indirect costs may be claimed by multiplying the approved indirect cost rate by the total direct project costs, minus costs for capital outlay, debt services, or election expenses unless the election is required by a program statute. Should a LEA reduce or increase its IDEA-B project budget during the project period, or fail to expend the entire project budget, the amount of indirect cost allowed must be adjusted accordingly. Records of use of indirect costs calculations will be kept for audit **purposes** by the local district.